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SUBJECT: LAGGING ECONOMY (MEANING JOBS) TOPS LIST OF VOTER CONCERNS IN SOUTH ITALY BEFORE APRIL ELECTIONS

¶1. Summary: The primary economic issue in Italy's Mezzogiorno is far and away that of "jobs". Unemployment has always run at higher levels in the South than in central and northern Italy, and southern voters are sure the current economic downturn has hit them the hardest. Parents, educators, political figures and young people themselves complain that the South is mortgaging its future, as trained university graduates continue to leave their families and hometowns to head north and even abroad in search of adequate employment. Next, after the jobs issue, comes the challenge of improving Southern Italy's inadequate infrastructure, which aggravates the South's geographic disadvantage (northern Italy is considerably closer to markets in the rest of Europe). The center-left (CL) charges that the current center-right (CR) government has "neglected" or even forgotten the South; the presence in the government of the Northern League certainly reinforces that message for many southerners, especially when its version of devolution is taken to mean "let's keep our tax revenues here in the North."

¶2. (Summary, cont.) However, while many swing voters may choose to cast their vote for the CL, many others will abstain or spoil their ballot, convinced that neither coalition will be able to make headway with the South's problems. Based on these pocketbook issues, the CL is likely to maintain its inroads in traditionally conservative Calabria, and will maintain its ascendancy in traditionally CL Campania (including Naples, Italy's third largest city) and tiny Basilicata. The CR has come from behind enough to make the election a toss-up in traditionally conservative Puglia (despite the CL's victory in the recent regional elections), while the CR should win in Sicily. Southern CL leaders are cautiously optimistic that Prodi will continue to maintain a lead nationwide due to economic worries; CR boosters insist the race is too close to call, and Berlusconi continues to come from behind. End summary.

¶3. This cable addresses how economic issues are affecting the political campaign in the South. A follow-up cable will examine the larger political situation in the run-up to the April elections.

Southern Italy still lags behind

¶4. The depressed economy in Campania, Sicily, and Calabria - not coincidentally the three areas with strong organized crime presence - remains an intractable national issue. Faced with the EU stability pact requirements, international competition, and increased energy costs, these southern regions continue to lag behind more advanced areas. With the current economic down-turn, the gap with northern regions has only widened, thus making economic and social growth in the short- to medium-term even more difficult. Consequently, "jobs" consistently ranks as the number one campaign issue throughout the South.

¶5. Our contacts believe the economic situation in the Mezzogiorno is only likely to get worse if the national government does not take effective measures to boost employment and economic growth (including foreign investment) in the South. Our interlocutors in political, institutional, economic/business, and academic circles are united in calling for three measures in this regard: (1) an aggressive, long-term fight against organized crime; (2) an improved infrastructure; and (3) bureaucratic reform.

Organized Crime

¶6. Pervasive organized crime has blighted Campania, Sicily and Calabria, preventing the development of a truly market-oriented business culture. The lack of rule-of-law and widespread, chronic environmental pollution (aggravated by organized crime, known in this manifestation as the "eco-mafia") have made the area unattractive to many private investors. Corruption among elected government officials, in many cases connected to organized crime, undermines efforts to cultivate a "rule-of-law" mentality.

Unwieldy Bureaucracy, Lack of infrastructure

¶7. A deficient infrastructure and an inefficient government bureaucracy with little sense of public accountability further

retard development. Business leaders, including American contacts with U.S. companies operating in the South, complain of infrastructure problems. For example, Nokia reportedly decided to close down its small plant in Sicily because of the inadequate water system.

¶8. As a result, much of the public is cynical on both issues - infrastructure and government reform, doubting any government will make a difference. For example, contacts in the small southern region of Basilicata recently noted that the leading vote-getter in elections there is usually the protest vote indicated by unmarked or defaced ballots, amounting to over 30 percent of the vote.

¶9. The largest infrastructure project on the table, the multi-billion-dollar "Messina Straits Bridge" to link Sicily with the toe of the Italian boot, is mired in controversy and uncertainty. A pet project of PM Berlusconi, many expect a CL government would not go ahead with the bridge project. Many political and business leaders in Sicily argue that the bridge does not address the more pressing infrastructure needs of the region, such as the water system.

Dissatisfaction with Berlusconi

¶10. Our CL contacts here cite growing frustration and disillusionment with the Berlusconi government, and are sure voters will "throw the bums out." However, CR proponents maintain that while Berlusconi has not delivered as much as he had promised, he has made important achievements, and certainly accomplished more than the CL the last time it was in power.

¶11. Some CR contacts complain of a Southern "assistenzialista" attitude, a debilitating dependency on government to provide, above all, guaranteed jobs and public works projects to fuel the economy. One Alleanza Nazionale leader noted the significance in word choice: Southerners say they want a "position" (posto), not "work" (lavoro). But other Southerners reject accusations that the South has grown dependent on financial aid from Rome, and that it wastes much of what it does receive through inefficiency, poor planning, and corruption. Some contacts insist the government can't tackle crime without implementing programs to create jobs and boost local communities.

Yet not convinced by Prodi and the CL

¶12. Of course, not only Berlusconi's performance comes under fire from a southern perspective. A recent editorial in the Palermo-based daily "La Sicilia" criticizes Romano Prodi's announced intention to cut labor costs, saying the measure will benefit more economically dynamic northern areas - not southern ones. The proposal will not cut southern unemployment rates, nor will it impact on the weak economy, says the editorialist. Theoretically, all want to resolve Italy's "two-speed economy," but in practice decisions are made with the center-northern region in mind.

Business leaders upbeat~

¶13. Despite the gloomy economic picture, the political and economic class is not completely disheartened about the future. (One exception is a surprising number of political leaders in Calabria, who are despondent about ever eradicating the 'Ndrangheta organized crime group). Most of our contacts insist that southern Italy has great potential to become an advanced, attractive environment for economic growth. In particular, it has human resources, boosted by a number of excellent universities, and it has great undeveloped potential in the tourism sector. Many in the South pin their hopes on turning the South's geographic position to its advantage by developing trade with the Balkans and with North Africa.

-Voters increasingly turned-off

¶14. Southern voters are a different matter; we see widespread voter dissatisfaction and skepticism regarding the electoral choice before them. But will this attitude be directed against both parties (resulting in high absentee rates), or mostly against the current CR government? Or will Berlusconi succeed in convincing voters that his government has made real progress, and had certainly done a better job than a fractious CL government with a potentially dangerous extremist leftist component would have done? The gloomy economic picture in the South remains uppermost in voters' minds, but a significant portion of Southern voters are still undecided on which coalition provides more hope of a brighter future.

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